Investment by Outward VC in [Company Name]
Term Sheet
[date]

This term sheet sets out the key terms upon which Outward VC II LP **("Outward VC")** proposes to invest in [Company Name], t/a [Trading Name] (the "**Company**") whose founders are [·], and [·] (the "**Founders**").

The purpose of this term sheet is to describe, for negotiation purposes only, some key terms of the proposed investment by Outward VC.

This term sheet does not constitute an offer to buy, sell, or subscribe to the securities described in this term sheet. Except this paragraph and the provisions relating to "**Confidentiality**" and **"No Shop**", nothing contained in this term sheet creates any binding obligation on Outward VC, the Company or the Founder.

1. Investment Amount:	Outward VC proposes to invest [£amount] ("**Outward VC Investment Amount**") as part of a total investment round of [£amount] alongside co-investors to be mutually agreed between Outward VC and the Company (together the "**Investors**"):
2. Valuation:	The Investors will invest an aggregate of [£amount] at a fully diluted pre-money valuation of [£amount], representing [amount%] of the post-money fully diluted capitalisation of the Company immediately prior to the proposed increase to the Company's unallocated employee share options pool (see 'Options Pool' section below). An illustrative pro-forma cap table is included in the Appendix.
3. Liquidation Preference:	The Investors will be issued with Preferred Shares that will have a liquidation preference where the Company is liquidated and the money remaining after paying all creditors is less than the valuation of the Company following this investment round, or the Company is sold and the selling price is less than the valuation of the Company following this investment round. The non-participating liquidation preference gives holders of the Preferred Shares the right to receive 1x the Investment Amount from the liquidation or sales proceeds with the balance of proceeds paid to remaining shareholders.
4. Investor Rights:	The Investors will receive customary investor rights including: (i) Pre-emption rights on new issues and transfers of shares (ii) Exit rights (co-sale, drag along and tag along) (iii) Conversion rights (Investors may convert Preferred Shares into Ordinary Shares at any time) (iv) Standard anti-dilution rights (broad-based weighted average adjustment mechanism) (v) Information rights (annual budgets and monthly financial updates)
5. Important Decisions:	Certain important matters (such as, amongst others, altering the rights of any class of share, the issue of new shares or changing the Articles of Association) shall require the consent of an Investor

SAMPLE

	Majority (to be defined once the Investors have been mutually agreed between the Company and Outward VC).
6. Board Representation:	Outward VC will be entitled to appoint a [non-executive director / non-voting observer] to attend all meetings of the Company's Board and any committee thereof. In the event that Outward does not exercise its right to appoint a non-executive director to the Board, it will appoint a non-voting observer.
7. Option Pool:	In addition to the existing unallocated share option pool immediately following completion of this investment round, the Company shall have the right to reserve additional Ordinary Shares for issue under its employee share option plan such that the total number of unallocated share options available for issue shall equal up to [amount%] of the fully diluted share capital of the Company. For the avoidance of doubt, the proposed increased to the unallocated share options pool share take place immediately following completion of this investment round.
8. Warranties:	The Company and Founder[s] will provide warranties in line with BVCA standard documentation. The Investors will have a right to recover any loss from the Company up to the value of the Investment Amount.
9. Service Agreements:	The Founder[s] agree to service agreements/employment which include customary provisions for non-disclosure, non-competition, non-solicitation, confidentiality, assignment of intellectual property rights, and termination.
10. Founder Shares:	[amount%] of the Founder[s] shares will be subject to reverse vesting. The Founders shares will vest monthly on a straight-line basis over a 4-year period from the date of completion of the investment. If a Founder ceases to be an employee or service provider of the Company as: (i) a Good Leaver, all their unvested shares will convert into deferred shares in the Company, and (ii) as an Intermediate Leaver, all their unvested shares and 50% of their vested shares will convert into Deferred Shares, and (iii) as a Bad Leaver, all their shares will convert into Deferred Shares.
11. Leaver Provisions	(i) "**Good Leaver**": a leaver whose employment is terminated by reason of death, permanent incapacity due to ill-health or disability, retirement at mandatory, contractual retirement age; (ii) "**Intermediate Leaver**": a leaver who is not a Good Leaver and who ceases to be an employee as a result of voluntary resignation for any reason except summary dismissal (including for gross misconduct or negligence); and (ii) "**Bad Leaver**": a leaver who is not a Good Leaver or an Intermediate Leaver, including but not limited to an employee who ceases to be an employee as a result of lawful dismissal by the Company for fraud, negligence and/or gross misconduct. A Good Leaver or an Intermediate Leaver can be re-designated as a Bad

SAMPLE

	Leaver if that leaver subsequently breaches their restrictive covenants. The Board (inc. Outward VC Consent) shall retain discretion to treat a Leaver more favourably than as defined above.
12. Conditions Precedent:	The investment by Outward VC will be conditional upon the fulfilment or waiver in Outward VC's sole determination: (i) Satisfactory completion of commercial and legal due diligence on the Company (ii) Compliance with regulatory requirements including anti-money laundering checks on the Company and the Founder(s) (iii) Entry into appropriate legally binding agreements (iv) Adoption of Outward VC's LP Provisions
13. Confidentiality:	The terms and conditions of this Term Sheet shall be confidential information and Outward VC, the Company or Founders shall not disclose the same to any third party nor shall a press release relating to this Term Sheet be made without Outward VC's consent.
14. No Shop:	This Term Sheet is exclusive and the Company agrees to work in good faith expeditiously toward a closing. The Company and the Founders agree that during 30 days from the date of this Term Sheet, they will not, directly or indirectly: (i) Take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation, or offer from any person or entity other than the Investors, relating to the sale or issuance of any of the capital shares of the Company or the acquisition, sale, lease, license, or other disposition of the Company or any material part of the shares or assets of the Company (ii) Enter into any discussions or negotiations or execute any agreement related to any of the foregoing other than the Investors or with respect to the Offering, and shall notify Outward VC promptly of any inquiries by any third parties in regard to the foregoing. These No Shop terms shall expire upon the earlier of (a) both parties agreement in writing that definitive agreements shall not be executed pursuant to this Term Sheet; (b) lapse of 45 days with no agreement to extend by the Company and Outward VC, in which case the Company shall have no further obligations under this clause.
15. Expenses:	The Company shall bear Outward VC's legal expenses not exceeding [£amount] + VAT
16. Timetable:	This term sheet is valid until [date]. The target completion date is [date]. Outward VC reserves the right to withdraw this Term Sheet at any time and will not be bound to invest until legally binding documents have been signed.

SAMPLE

[Company Name]:

Signed:

Name:

Title:

Date:

Outward VC II LP:

Signed:

Name:

Title:

Date:

SAMPLE